

M e m o r a n d u m

To: Panel Members

Date: January 26, 2007

From: Diana Torres, Manager

Analyst: K. Campion

Subject: One-Step Agreement for **BALBOA INSTRUMENTS, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 308
 - *In California:* 300
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$83,160
- Substantial Contribution: \$0
- Total ETP Funding: \$83,160
- Total In-kind Contribution: \$87,500
 - *Trainee Wages Paid During Training:* \$87,500
 - *Other Contributions:* 0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

INTRODUCTION:

Balboa Instruments, Inc. (Balboa) designs, manufactures, and sells custom electronic solid state controls and related equipment for hot tubs, pools, spas, whirlpool baths, and saunas. The Company's primary products include systems that monitor and control the temperature, water level, and flow of water in pools and spas. Balboa was founded in 1979 and is located in Tustin, California, the site of the proposed training.

Balboa is eligible for funding under the out-of-state competition provisions provided in Title 22 California Code of Regulations (CCR), Section 4416(i) for companies classified as manufacturers under the North American Industrial Classification System. The Company proposes to train 110 frontline workers in the skills necessary to move the Company to a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES:

Balboa proposes training that will further the following ETP goals and objectives:

- 1) Promote California's manufacturing workforce;
- 2) Foster job retention in industries threatened by out-of-state competition;
- 3) Support companies moving to a high performance workplace environment.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 - Retrainees	MENU: Continuous Improvement, Computer Skills, Manufacturing Skills, Business Skills	110	24 – 120	0	\$756	*\$13.51 – \$42.20
Wages After 90-Day Retention						
<u>Occupation</u> Administrative Staff Engineer Lead Production Worker Support Staff Technical Staff Supervisor Manager						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health benefits of at least \$2.65 per hour may be added to the trainee's wages to meet the ETP minimum hourly rate for Orange County.					<u>Turnover Rate</u> 11%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 14.5%
<u>Other Employee Benefits:</u> In addition to health benefits, the Company offers accidental death and dismemberment insurance, optional life insurance, long term disability, employee assistance program, bereavement leave, vacation, holiday, and sick leave.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee), except for 16 supervisors and managers, or 14.5 percent of the trainee population.

COMMENTS / ISSUES: (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Substantial Contribution***

Title 22 CCR, Section 4410, provides, in part, that a substantial contribution of not less than 30 percent shall be imposed on any employer for retraining at a facility which previously benefited from Panel funding under at least two prior panel Agreements at the same facility in the amount of \$250,000 or more. Although this will be the third Agreement between ETP and Balboa Instruments at the Tustin facility, the company has earned less than \$250,000 in ETP reimbursement in the prior two projects. Therefore, no substantial contribution has been applied to the proposed Agreement.

RECOMMENDATION:

Staff recommends that the Panel approve this one-step Agreement based on Balboa's stated need to implement process improvements necessary to move towards a high performance workplace environment. The approval of this proposal will enable the company to remain a viable business in the challenging pool and spa industry.

NARRATIVE:

Balboa's products have evolved through the years from simple spa controls to a myriad of sophisticated pool and spa control devices that take advantage of the latest computer and cellular technologies. Balboa sells its products to spa and pool manufacturers located across the country. To maintain its market share, the Company must continue to produce innovative and high quality products which are delivered on time and meet customer specifications.

In the prior ETP project, Balboa commenced a major training initiative to implement a company-wide, Lean Manufacturing environment and identified 19 projects that would streamline operations, reduce waste and ultimately reduce costs. However, the pool and spa industry experienced a 20 percent downturn in the economy during 2005 and 2006 and Balboa's sales decreased. This decline in business forced the company to cut budgets. As a result, the Lean Manufacturing was put on hold and a substantial amount of planned continuous improvement training, business skills, manufacturing skills and computer skills training was never provided.

Balboa representatives report that sales have improved and the company recognizes that the full implementation of Lean Manufacturing is critical to its future success. Therefore, Balboa would like to finish what it started in the prior ETP project and continue its Lean Manufacturing training. Balboa requests ETP funds to retrain its frontline staff in continuous improvement, computer skills, manufacturing skills, and business skills. Retrainees will receive formal, class/lab training based on their job functions.

NARRATIVE: (continued)

Continuous Improvement training will focus on quality, teamwork, and lean manufacturing. All trainees will participate in these modules. Trainees will learn to work in cohesive, high-performing teams to solve problems, implement process improvements and increase customer satisfaction. Trainees will be trained on new processes that will improve product quality and reduce errors across all areas of the company.

Computer Skills training is required for trainees who are working on project teams. As a result of the Lean Manufacturing initiative, product quality is being tracked by advanced statistical tools. Trainees must be trained on how to use these computer programs, and how to implement and interpret data. Balboa is also implementing new WEB-based network applications and other sophisticated electronic equipment that allow for remote testing of spa and pool devices via the internet. Engineers need training in the design of new computer languages, network software and computer hardware to support the new system rollouts. Other workers will be trained on the capabilities of these new systems.

Manufacturing Skills training will be provided to production staff, engineers, lead workers, technicians, supervisors and managers. Balboa projects that as Lean Manufacturing is implemented, the company will need to change some manufacturing processes. Trainees will learn how to implement new processes and new quality procedures. Correct Operation of Manufacturing Equipment and Understanding Technical Specifications training will help trainees increase their job skills and improve manufacturing production issues and bottlenecks.

Business Skills training will improve trainees' abilities to communicate more effectively with both internal and external customers. This training will teach trainees how to establish and maintain lasting relationship with valued clients and future customers, and how to create new ways to market and rollout products. Workers will be tasked to take on more job responsibilities as new products are developed and released.

Commitment to Training

Balboa representatives state that the ETP funding under this proposal will not displace any of its resources for training. Currently, Balboa provides new-hire orientation training, safety training, sexual harassment prevention training and on-the-job training. Additionally, some of the training provided in the prior Agreement will continue to be provided at company expense and is not included in the proposed Agreement. This includes Change Management Methods, Computer Networking Skills, Microsoft Excel, Access and PowerPoint, Inspection Procedures, and Support Roles and Responsibilities.

Company representatives report that the proposed training is in new skills never before provided or minimally provided as in the Lean Manufacturing skills. Balboa representatives project that the proposed training will allow the company to fully implement a company-wide, Lean Manufacturing environment quickly and effectively. The company anticipates that the proposed training will enhance workers' ability to solve problems and make decisions that will add value at each level of the organization, ultimately creating a high performance workplace environment.

SUBCONTRACTORS:

National Training Company, Inc., Irvine, California – Not to exceed 13 percent of payment earned for Project Administration.

THIRD PARTY SERVICES:

National Training Company, Inc., assisted with the design of the training plan and completion of the application documents for a flat fee of \$5,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with Balboa within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET02-0188	Tustin	11/26/01 – 11/25/03	\$168,000	\$96,768	\$232,000	\$136,480
ET05-0227	Tustin	12/31/04 – 12/30/06	\$142,740	*\$52,117	\$195,000	\$86,000

ET02-0188 – The Contractor reported that the downturn in the economy at that time resulted in a reduction in the workforce. Additionally, the high number of training hours was difficult to achieve for some trainees. As a result, the Company achieved a 58 percent completion rate.

**ET05-0227 – The closeout invoice has yet to be submitted on this project. The Contractor projects that Balboa will earn approximately \$52,117 or 36% of the Agreement amount when the final invoice is processed by ETP. According to company representatives, the spa and pool industry had a significant downturn in 2006, which impacted the sales of Balboa products. The company had to cut costs. Rather than lay off employees Balboa decided to reduce other costs. Engineers and other production staff were required to focus on the development of new products and could not be released from work to attend training.*

This problem is now behind the company. To ensure performance in this new ETP project, Balboa will have a dedicated Training Coordinator who's responsibility will be to focus the company on the training initiatives and drive the training project.

Balboa Instruments, Inc.

MENU CURRICULUM

Hours
Class/Lab

24 – 120

Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

- Lean Manufacturing Procedures
- Team Problem Solving
- New Production Processes
- Methods for Implementing Teams
- Reporting and Documentation Procedures
- Product Engineering Techniques

COMPUTER SKILLS

- Statistical Software Tools
- Inventory Control
- Internal Customer Applications
- Financial Planning Procedures
- Budgeting Procedures
- Web-based Application Design
- Web-based Application Support Skills

MANUFACTURING SKILLS

- Quality Control Procedures
- Correct Operation of Manufacturing Equipment
- Understanding Technical Specifications

BUSINESS SKILLS

- Communication (Mentoring and Handling Conflict) Skills
- Techniques and Strategies for Resolving Customer Problems
- FIRST (Putting the Customer First Procedures)
- Expanding Business Market Strategies
- New Product Marketing Techniques and Rollout Procedures

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)